

NATIONAL CAPITAL COMMISSION
COMMISSION DE LA CAPITALE NATIONALE

QUARTERLY FINANCIAL REPORT FOR THE THREE MONTHS

ENDED JUNE 30, 2024

Canada



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JUNE 30, 2024

The three months ended June 30, 2024 resulted in a deficit of \$2.1 million. This deficit results primarily from, lower than planned revenues for rental operations and easements revenues (\$2.0M), parliamentary appropriations for operating expenditures (\$1.8M) yet to be received, user access fees (\$0.5M) and other revenues (\$0.3M). These deficits are partly offset by higher than planned interest revenues (\$2.5M).

A. Year-Over-Year Results Analysis

Revenues decreased by \$20.0 million, or 61.5% compared to the same period in the previous year, mainly as a result of the following:

- Rental operations and easements decrease of \$18.6 million, or 77.2% to \$5.5 million, mainly as a result of the recognition of previously deferred easement revenues resulting from the implementation of a new revenue accounting standard in the previous year;
- Other revenues decrease of \$0.9 million, or 37.5% to \$1.6 million; and
- Interest revenues decrease of \$0.7 million, or 16.3% to \$3.6 million.

Offset in part by:

- User access fees increase of \$0.1 million, or 20.0% to \$0.6 million; and
- Recoveries increase of \$0.1 million, or 8.3% to \$1.3 million.

Operating expenses increased by \$1.5 million, or 4.1%, compared to the same period in the previous year. The results by Program were as follows:

- Stewardship and protection increase of \$1.2 million, or 4.5%, to \$28.0 million;
- Internal services increase of \$0.3 million, or 3.6%, to \$8.7 million; and
- Long-term planning has been stable at \$1.6 million.

Funding from the Government of Canada through parliamentary appropriations decreased by \$1.4 million compared to the same period last year at \$23.7 million. The results by main categories of appropriations were as follows:

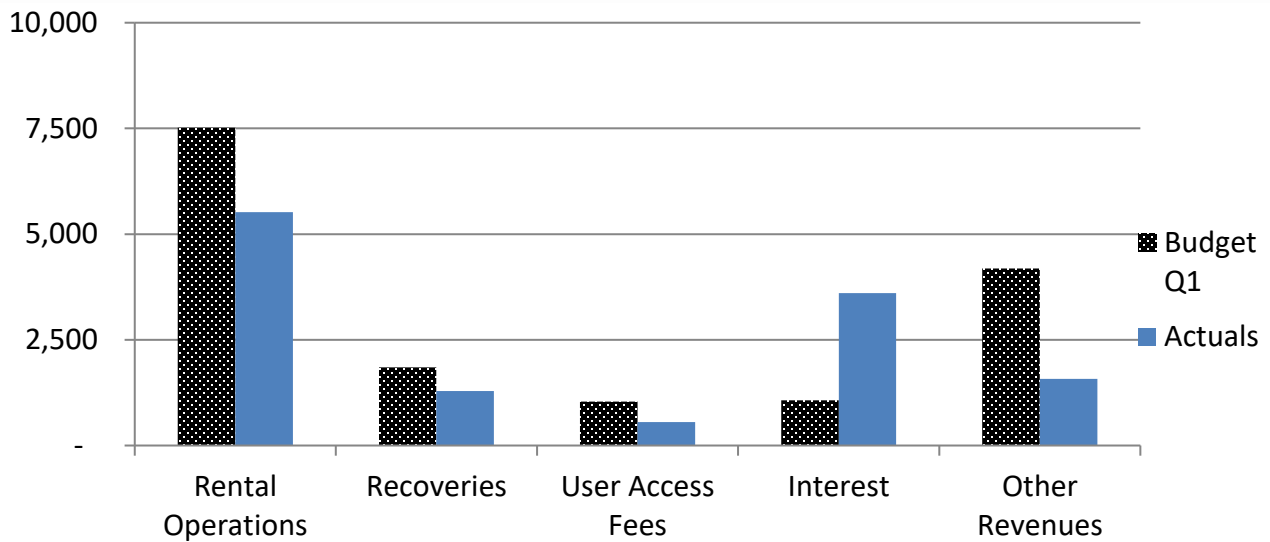
- Appropriations for operating expenditures decreased by \$0.2 million, or 1.1%, to \$17.4 million; and
- Appropriations for capital expenditures decreased by \$1.2 million, or 16.0% to \$6.3 million.

B. Budgetary Analysis

The budgeted revenue for the 2024-2025 fiscal year includes non-recurring items such as contributions and recoveries related to the South Shore Riverfront Park project, Interprovincial Bridges initiatives and commemorations, with \$2.0 million recognized at the end of the first quarter, representing 9.6% of the annual budget. Total recurring revenues of \$10.5 million represent 25.4% of the annual budget as of June 30, 2024.

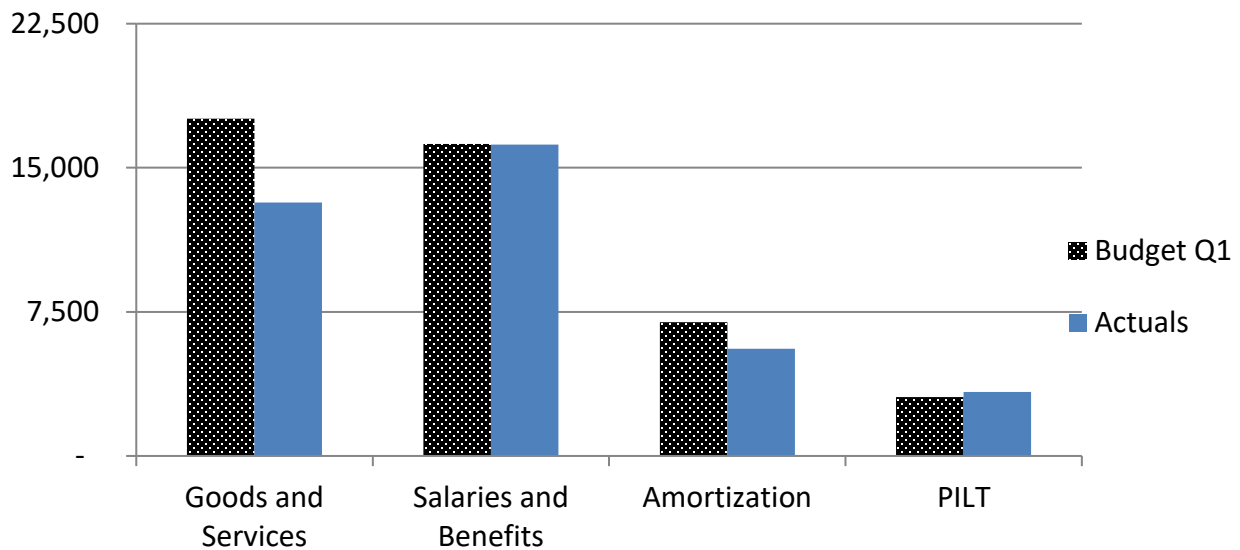
The following chart provides details of the first quarter revenues of \$12.5 million compared to the budget of \$15.7 million. Interest revenues are above budget, whereas Recoveries, Rental operations and easements, User access fees, and Other revenues are tracking behind budget.

Revenues by type (\$000's)



The following chart provides details of the first quarter operating expenses of \$38.3 million compared to the budget of \$43.8 million. The favorable variance compared to budget is due primarily to lower than planned Goods and Services (\$4.4 million) and Amortization expense (\$1.4 million).

Operating expenses by object (\$000's)



C. Use of Parliamentary Appropriations

The NCC receives its funding from a number of sources: parliamentary appropriations, rental operations and easements, user access fees, cost recoveries, investment revenues, gains on disposal of tangible capital assets and other revenues. The NCC draws down its parliamentary appropriations according to cash flow projections provided to the Minister of Public Service and Procurement Canada. As the nature of expenditures are not constrained by source of funding, direct matching of appropriations received and receivable to specific use is not applicable.

The NCC recognized \$23.7 million, or 15.7% of its annual budget for appropriations for the period ended June 30, 2024. Parliamentary appropriations drawdowns are based on forecasted cash flow expenditures. The following table illustrates the forecast of the parliamentary appropriations by vote.

NCC Parliamentary Appropriations by vote (\$000's)

| Vote | Annual Budget | Gov't Apps Recognized | % Recognized | Approved Suppl. Estimates | Forecast to March 2025 |
|-------------------------|----------------------|------------------------------|---------------------|----------------------------------|-------------------------------|
| Operational vote | 77,750 | 14,928 | 19.2% | - | 62,822 |
| Deferred Appropriations | - | 2,464 | - | - | - |
| <i>sub-total</i> | 77,750 | 17,392 | 22.4% | - | 62,822 |
| Capital vote | 64,549 | 2,494 | 3.9% | - | 62,055 |
| Deferred Appropriations | 8,250 | 3,789 | 45.9% | - | 4,461 |
| <i>sub-total</i> | 72,799 | 6,283 | 8.6% | - | 66,516 |
| Total | 150,549 | 23,675 | 15.7% | - | 129,338 |

Additional details on the parliamentary appropriations can be found in the NCC's Quarterly Financial Statements of June 30, 2024. (Note 8).

D. Capital Expenditure

Investments by main categories of capital expenditures were as follows:

| For the three months ended June 30, 2024 (\$000's) | Actuals |
|---|----------------|
| Roads & bridges Portage Bridge, Champlain Bridge | 2,188 |
| Historical properties Official Residences | 1,880 |
| Rental properties | 634 |
| Development properties LeBreton Flats redevelopment | 84 |
| Heritage and Cultural Precinct | 4,146 |
| Green assets Kiweki Point, South Shore Riverfront Park development, Rideau Canal Lighting System, Parliament Hill Escarpment, Leamy Lake Shorelines | 14,175 |
| Recreational Facilities Philippe Lake Campground | 4,895 |
| Equipment Expenditures | 47 |
| Property Acquisition (including Green Fund) | 3,082 |
| Other | 3,293 |
| 2024-2025 Q1 Total Actuals | 34,424 |
| 2023-2024 Q1 Total Actuals | 20,060 |
| Variance | 14,364 |
| 2024-2025 Budget | 170,944 |
| % Achieved | 20% |
| % Actuals + Commitments (funded from annual budget and carry-overs) | 83% |

E. Statement of Financial Position Summary

Financial assets totalled \$271.3 million as of June 30, 2024, a decrease of \$31.6 million or 10.4% from \$302.9 million as of March 31, 2024, attributable primarily to a decrease of \$29.3 million in cash and cash equivalents and \$2.2 million in accounts receivable.

Liabilities totalled \$228.7 million as of June 30, 2024, an increase of \$5.3 million or 2.4% from \$223.4 million as of March 31, 2024, attributable primarily to an increase of \$10.6 million in accounts payable and accrued liabilities, offset in part by a decrease of \$4.4 million in deferred revenues.

Non-financial assets totalled \$969.4 million as of June 30, 2024, an increase of \$34.9 million or 3.7% from \$934.5 million as of March 31, 2024, reflecting mostly increases in tangible capital assets net of amortization as a result of advancement of Capital projects funded from Budget 2020.

F. Risks and Mitigation Strategies

The NCC uses an integrated risk management framework to identify, manage and mitigate its risks, and applies this framework in strategic decision making, operational planning, and project management. Enterprise risk management is integrated into the NCC's planning and reporting cycle through a risk profile exercise, which helps to identify the key corporate risks and corresponding mitigation measures for the planning period. These key corporate and operational risks are monitored and revisited throughout the year, and their trends, as well as the effectiveness of mitigation measures, are reported to the board of directors each quarter.

On an ongoing basis, the corporation identifies opportunities to enhance its risk management framework and leverage more comprehensive risk information for decision-making, in order to take appropriate actions to implement necessary mitigation strategies and maintain resilience.

Key Risks and Mitigation Measures

As of June 30, 2024, the NCC has identified four key corporate risks that exceed its risk tolerance:

1. Asset Management: Since 2018-2019, the NCC has made significant capital investments to address critical requirements and address the deteriorating condition of its assets, supported by funding provided by the Government of Canada, striving to overcome the impacts of preceding decades of underinvestment. Concurrently, the corporation is implementing measures continuously to improve its processes, systems, and practices in asset management and investment planning. There is a risk that a lack of consistent integration of portfolio planning, resource allocation, and project delivery may limit the NCC's ability to effectively manage risks tied to asset deterioration and to advocate for funding increases.

To mitigate this risk, the NCC will continue to work on assets in need of critical repairs, revitalize and restore them to good condition in accordance with additional appropriations, including measures to augment their resilience to climate change and extreme weather events.

The NCC will leverage new funding to implement an Investment Planning Program that integrates long-term asset management, continue to implement a cyclical asset condition inspection program, continue to maintain data through the lifecycle of an asset, as well as solidify requirements for asset prioritization based on portfolio planning.

The NCC will plan and implement the replacement of the integrated financial and asset management systems to support end user. The Corporation will also establish and implement approaches to mitigate the impacts of persistent, high inflation and other significant factors escalating project costs to ensure overall program costs remain within the limits of existing allocated and earmarked funding.

The NCC will capitalize on repatriation of the commercial real estate portfolio as an opportunity to further integrate portfolio planning, resource allocation, and project delivery across the NCC's inventory of assets. The corporation will continue asset management efforts through the implementation of the new accounting standard for the Asset Retirement Obligations Program.

2. Authorities: The NCC's legislated authorities have remained largely unchanged since the corporation's inception in 1959. Shortcomings within these authorities present challenges for the NCC in its efforts to conserve and protect built and natural assets, and to conduct real property transactions in modern terms, in support of its mandate. There is a risk that the corporation's limited legislated authorities may inhibit the delivery of the NCC's mandate and its capacity to influence external actors.

To mitigate this risk, the NCC intend to increase the assertiveness in the delivery of the corporation's mandate within the current legislative framework, scope of authorities, and level of resources. In addition, the corporation will continue to work with and support government partners in bringing forward solutions to increase the NCC's legislative and regulatory authorities.

3. Climate Change: The impact of climate change and related weather events on built and natural assets, operations and programs, and financial and non-financial resources may inhibit the NCC's ability to deliver its mandate.

To mitigate this risk, the NCC will implement its Climate Adaptation Plan, which involve developing guidelines to support the implementation of the Sustainable Development Strategy, developing Emergency Preparedness plans to respond more effectively to severe weather events.

The NCC will also implement the Climate-related Financial Risks Disclosure Implementation Plan recommendations, as well as integrate financial analysis of the potential climate change impacts and costs associated with mitigations into the investment planning and project prioritization processes.

4. Human Resource Capacity: Governments and businesses are facing considerable challenges, across Canada and the National Capital Region, as they strive to recruit and retain employees with appropriate knowledge, skills, and experience. There is a risk that real and perceived challenges in its competitiveness to hire and retain staff may impact the NCC's capacity to adequately deliver its core mandate.

To mitigate this risk, the NCC will improve talent attraction and retention by a series of actions which includes updating and implementing the Diversity, Inclusion and Employment Equity Plan; continuing to promote an engaging, diverse, and inclusive workplace that attracts and retains talent; improving the corporation's ability to adapt its work arrangements and workplace environments to support staff work/life flexibility.

The NCC will also be monitoring the implications of migrating to a hybrid model workplace and adjusting its implementation, as necessary, as lessons are learned; as well as exploring budget options to facilitate the hiring of personnel on an indeterminate rather than term basis. A review of the NCC's overall employee recognition, compensation, and benefits to ensure competitiveness will be undertaken; options for the establishment of a talent development program will be explored.

Finally, the NCC will continue to implement and optimize the new Staffing Program, as well as continue our outreach efforts to promote the NCC's mandate and increase our visibility as an Employer of choice in the NCR to job seekers.

G. Significant Changes Related to Operations, Personnel and Programs

Through the 2022 Fall Economic Statement, the Government of Canada earmarked considerable, additional funding for the NCC to protect heritage assets in the National Capital Region. These funds consist of an additional \$332.6M over the next years up to 2031-2032 for the recapitalization of the official residences, excluding 24 Sussex Drive, as well as for the maintenance and upkeep of capital assets, including the rehabilitation of historically and culturally significant infrastructure.

No other significant changes with regard to NCC operations, personnel or programs occurred during the three-month period ended June 30, 2024.

Unaudited Financial Statements

For the three months ended June 30, 2024

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring that all other information contained in the quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation as at the date of, and for the periods presented in, the quarterly financial statements.



Tobi Nussbaum
Chief Executive Officer



Tania Kingsberry, CPA, CA
Vice-President Corporate Services and
Chief Financial Officer

Ottawa, Canada
August 20, 2024

NATIONAL CAPITAL COMMISSION
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(in thousands of dollars)

| | June 30, 2024 | March 31, 2024 |
|---|------------------|------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 3) | 129,641 | 159,143 |
| Restricted cash and cash equivalents (Note 4) | 12,384 | 12,220 |
| Accounts receivable | 18,809 | 21,044 |
| Investments (Note 3) | 110,489 | 110,519 |
| | 271,323 | 302,926 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 52,331 | 41,777 |
| Provision for environmental remediation | 72,393 | 72,113 |
| Asset retirement obligations | 26,498 | 26,498 |
| Deferred revenues (Note 5) | 52,148 | 56,568 |
| Employee future benefits | 9,904 | 10,207 |
| Other liabilities | 15,471 | 16,271 |
| | 228,745 | 223,434 |
| NET FINANCIAL ASSETS | 42,578 | 79,492 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 6) | 955,665 | 926,628 |
| Prepaid expenses | 9,417 | 3,628 |
| Other non-financial assets | 4,270 | 4,270 |
| | 969,352 | 934,526 |
| ACCUMULATED SURPLUS | 1,011,930 | 1,014,018 |

The notes are an integral part of the financial statements.

Approved by the Board of Directors



Maryse Gaudreault
Chair, Board of Directors



Tanya Gracie
Chair, Audit Committee

NATIONAL CAPITAL COMMISSION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)
For the three months ended June 30 (in thousands of dollars)

| | 2024-2025 Annual Budget (Note 2) | 2024 Actual | 2023 Restated Actual |
|---|--|------------------|----------------------------|
| REVENUES | | | |
| Rental operations and easements | 30,056 | 5,521 | 24,115 |
| Recoveries | 7,381 | 1,285 | 1,206 |
| User access fees | 4,170 | 555 | 468 |
| Interest | 4,265 | 3,603 | 4,295 |
| Gain on disposal of tangible capital assets | - | 1 | - |
| Other revenues | 16,751 | 1,578 | 2,440 |
| | 62,623 | 12,543 | 32,524 |
| EXPENSES (Note 7) | | | |
| Long-term planning | 11,889 | 1,608 | 1,632 |
| Stewardship and protection | 126,932 | 28,045 | 26,811 |
| Internal services | 36,517 | 8,653 | 8,404 |
| | 175,338 | 38,306 | 36,847 |
| Deficit before funding from the Government of Canada | (112,715) | (25,763) | (4,323) |
| Funding from the Government of Canada | | | |
| Parliamentary appropriations for operating expenditures (Note 8) | 77,750 | 17,392 | 17,579 |
| Parliamentary appropriations for tangible capital assets (Note 8) | 72,799 | 6,283 | 7,496 |
| | 150,549 | 23,675 | 25,075 |
| Surplus (deficit) for the period | 37,834 | (2,088) | 20,752 |
| Accumulated surplus at beginning of the period | 983,737 | 1,014,018 | 976,503 |
| Accumulated surplus at end of the period | 1,021,571 | 1,011,930 | 997,255 |

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (UNAUDITED)
For the three months ended June 30 (in thousands of dollars)

| | 2024-2025 Annual budget | 2024 Actual | 2023 Restated Actual |
|--|----------------------------|-----------------|----------------------------|
| | (Note 2) | | |
| Surplus (deficit) for the period | 37,834 | (2,088) | 20,752 |
| Acquisition and improvements of tangible capital assets (Note 6) | (168,436) | (34,610) | (20,367) |
| Amortization of tangible capital assets (Note 6) | 27,878 | 5,573 | 5,523 |
| Loss on disposal of tangible capital assets | - | - | 65 |
| Gain on disposal of tangible capital assets | - | (1) | - |
| Proceeds from disposal of tangible capital assets | - | 1 | - |
| Realized loss from sale-leaseback transaction | - | - | (46) |
| | (140,558) | (29,037) | (14,825) |
| Change in prepaid expenses | - | (5,789) | (2,139) |
| Change in other non-financial assets | - | - | (1,050) |
| | - | (5,789) | (3,189) |
| Increase (decrease) in net financial assets | (102,724) | (36,914) | 2,738 |
| Net financial assets at beginning of the period | 10,108 | 79,492 | 149,264 |
| Net financial assets at end of the period | (92,616) | 42,578 | 152,002 |

The notes are an integral part of the financial statements.

NATIONAL CAPITAL COMMISSION
STATEMENT OF CASH FLOWS (UNAUDITED)
For the three months ended June 30 (in thousands of dollars)

| | 2024 | 2023 |
|--|-----------------|----------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from parliamentary appropriations | | |
| for operating expenditures | 18,695 | 18,984 |
| Cash receipts from rental operations and easements | 5,620 | 6,135 |
| Cash receipts from recoveries, user access fees and other revenues | 2,005 | (4,438) |
| Cash paid to suppliers | (22,597) | (17,446) |
| Cash paid to employees | (14,690) | (14,428) |
| Interest received | 2,472 | 5,608 |
| Disbursements related to the management and remediation of sites | (36) | (54) |
| Cash flows used by operating activities | (8,531) | (5,639) |
| CAPITAL ACTIVITIES | | |
| Cash receipts from parliamentary appropriations | | |
| for tangible capital assets | 4,399 | 6,260 |
| Acquisition and improvements of tangible capital assets | (25,281) | (13,814) |
| Proceeds from disposal of tangible capital assets | 1 | - |
| Cash receipts for future disposal of a land | 46 | - |
| Disbursements for environmental remediation | (68) | (88) |
| Cash flows used by capital activities | (20,903) | (7,642) |
| INVESTING ACTIVITIES | | |
| Cash receipts for Chambers Building Fund | 95 | 69 |
| Disbursements for investments purchased | (522) | (30,109) |
| Cash receipts from investment sold | 523 | 50,020 |
| Cash flows provided by investing activities | 96 | 19,980 |
| Increase (decrease) in cash and cash equivalents | (29,338) | 6,699 |
| Cash and cash equivalents at beginning of the period | 171,363 | 301,560 |
| Cash and cash equivalents at end of the period | 142,025 | 308,259 |
| Represented by: | | |
| Cash and cash equivalents | 129,641 | 300,932 |
| Restricted cash and cash equivalents | 12,384 | 7,327 |
| | 142,025 | 308,259 |

The notes are an integral part of the financial statements.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

1. Authority and Objectives

The National Capital Commission (NCC) was established in 1959 by the *National Capital Act* (1958) as an agent Crown corporation without share capital, named in Part I of Schedule III of the *Financial Administration Act*, and is not subject to the requirements of the *Income Tax Act*. The objects and purposes of the NCC, as stated in the amended *National Capital Act* (2013) are to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

The NCC is also responsible for the management and maintenance of the tangible capital assets of the official residences located in the National Capital Region. The NCC encourage Canadians to participate in the enhancement of the state areas of the official residences through public donations of furnishings, paintings and works of art, or the funds to purchase them. Pieces are selected to reflect Canada's heritage, artistic traditions and historical associations, or to complement the architectural style of a particular residence.

In July 2015, the corporation was issued a directive (P.C. 2015-1106) pursuant to Section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies. The NCC has met the requirements of the directive since 2015–2016.

2. Significant Accounting Policies

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board (PSAB).

These quarterly financial statements should be read in conjunction with the annual audited financial statements dated March 31, 2024 which detail the applicable accounting policies.

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual financial statements.

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported values of financial assets, liabilities and non-financial assets at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Estimated useful lives of tangible capital assets, provision for environmental remediation, asset retirement obligations, employee future benefits, write-downs of tangible capital assets, the recognition of contingent liabilities, are the most significant items for which estimates are used.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

Actual results could differ materially from those management's best estimates.

Budget Figures

The 2024-2025 budget figures, as presented in the *2024-2025 to 2028-2029 Corporate Plan*, are included, as appropriate, in the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets.

3. Cash and Cash Equivalents and Investments

A. CASH AND CASH EQUIVALENTS

As at June 30, 2024, cash and cash equivalents include \$129,6 million (\$159.9 million as at March 31, 2024) in cash, invested at a weighted average interest rate of 5.5% (5.5% as at March 31, 2024).

B. INVESTMENTS

As at June 30, 2024, the investment portfolio includes bonds of provincial governments and guaranteed investment certificates, totalling \$110.5 million (\$110.5 million as at March 31, 2024) invested at a weighted average interest rate of 5.7% (5.7% as at March 31, 2024).

| | June 30, 2024 | | March 31, 2024 | |
|------------------------------------|-------------------|------------------------|-------------------|------------------------|
| | Amortized Cost | Quoted Market Value | Amortized Cost | Quoted Market Value |
| Provincial governments | 10,489 | 10,024 | 10,519 | 10,017 |
| Guaranteed investment certificates | 100,000 | 100,000 | 100,000 | 100,000 |
| | 110,489 | 110,024 | 110,519 | 110,017 |

C. DESIGNATED FUNDS

As at June 30, 2024, cash and cash equivalents include \$120.7 million (\$141.8 million as at March 31, 2024) in designated funds whose use is internally designated and limited for the sole purpose for which they have been segregated.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

4. Restricted Cash and Cash Equivalents

A. Light Rail Transit (LRT)

The City of Ottawa (the City) has undertaken a significant project in 2012-2013 to convert the existing bus rapid transit system to a light rail transit system. This system continues to affect several NCC properties, which are subject to change until such time as the actual land requirements are finalized.

As of June 30, 2024, restricted cash and cash equivalents include \$1.7 million (\$1.7 million as at March 31, 2024) for the LRT and represent security and performance deposits, plus accrued interest, due to some requirements that are still not met but are expected to be fulfilled in the next few years.

B. Chambers Building Fund

As set out in the ground lease for 40 Elgin Street (Chambers Building), the tenant must remit an annual amount to the NCC strictly for the purpose to fund future capital improvements for this building. The funding requirement began October 31, 2018 and will continue annually until the end of the lease in 2056. These funds are being administered by the NCC and total \$7.1 million (\$7.0 million as at March 31, 2024) as of June 30, 2024. A related liability is recorded on the Statement of Financial Position.

C. Deposit for future disposal of a land

Last year, Hydro One Networks Inc. made a deposit for the future acquisition of a parcel of land from the NCC. As of June 30, 2024, these funds total \$3.6 million including accrued interest (\$3.5 million as at March 31, 2024). The disposal is expected no later than December 31, 2025. A related liability is recorded on the Statement of Financial Position.

5. Deferred Revenues

Deferred revenues are composed of the following.

| | June 30, 2024 | March 31, 2024 |
|--|---------------|----------------|
| Deferred rental revenues | 8,624 | 8,880 |
| Deferred license of occupation revenues | 723 | 1,192 |
| PSPC contribution to the construction of the new head office | 23,129 | 25,013 |
| Contribution from the City of Ottawa for the development of the riverside park | 6,832 | 7,932 |
| Other deferred revenues | 12,840 | 13,551 |
| | 52,148 | 56,568 |

The deferred rental revenues are primarily the present value of the minimum future lease payments that the NCC has collected under four different land lease agreements. The present value for the current agreements was determined using discount rates of 4.0%, 4.27%, 6.01% and 6.5%. These deferred rental revenues will be recognized as income over the term

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

of the lease agreements, which have different termination dates extending to 2075. During the period, \$0.1 million (\$0.1 million as at June 30, 2023) of deferred rental revenue was recognized as income.

Public Services and Procurement Canada's (PSPC) contribution of \$23.1 million (\$25.0 million as at March 31, 2024) is for renovations to the new NCC head office which should be completed by 2025, and the contribution from the City of Ottawa of \$6.8 million (\$7.9 million as at March 31, 2024) is for the development of the south shore riverfront park in connection with the LRT project and is recognized based on the completion of the work which are expected to be completed by 2025.

Other deferred revenues consist mainly of a contribution by Veterans Affairs Canada of \$4.1 million (\$4.2 million as at March 31, 2024) for the construction of a commemoration which is expected to be completed by 2027, as well as a contribution by Global Affairs Canada of \$5.0 million (\$5.0 million as at March 31, 2024) for the construction of a commemoration which is expected to be completed by 2026, as well as a contribution from Canadian Heritage of \$1.3 million (\$1.3 million as at March 31, 2024) for the construction of a commemoration which is expected to be completed by the end of 2024

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

6. Tangible Capital Assets

| | COST | | | | ACCUMULATED AMORTIZATION | | | | NET BOOK VALUE | |
|---|------------------|---------------------------|-----------|------------------|--------------------------|----------------------|-------------------------|-----------------|----------------|----------------|
| | Opening Balance | Acquisitions/ Adjustments | Disposals | Closing Balance | Opening Balance | Amortization expense | Disposals / Adjustments | Closing Balance | June 30, 2024 | March 31, 2024 |
| Land ¹ | 378,077 | 2,640 | - | 380,717 | - | - | - | - | 380,717 | 378,077 |
| Buildings and Infrastructure ² | 1,063,938 | 31,815 | - | 1,095,753 | 523,123 | 5,243 | - | 528,366 | 567,387 | 540,815 |
| Leasehold improvements | 15,360 | - | - | 15,360 | 12,682 | 98 | - | 12,780 | 2,580 | 2,678 |
| Equipment ² | 24,985 | 155 | 64 | 25,076 | 19,927 | 232 | 64 | 20,095 | 4,981 | 5,058 |
| | 1,482,360 | 34,610 | 64 | 1,516,906 | 555,732 | 5,573 | 64 | 561,241 | 955,665 | 926,628 |

1. The land cost includes \$0.2 million (\$0.2 million as at March 31, 2024) of unsettled expropriation.

2. The total cost of buildings and infrastructure, and equipment include \$162.1 million (\$129.9 million as at March 31, 2024) of construction in progress. When completed, the cost of these projects will be amortized on the basis on their estimated useful life.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended June 30, 2024 (in thousands of dollars, unless otherwise specified)

7. Expenses by Object

The following provides a summary of expenses by object.

| | 2024-2025 Annual Budget (Note 2) | June 30, 2024 | June 30, 2023 |
|---|--|---------------|---------------|
| Goods and services | 70,193 | 13,185 | 14,044 |
| Salaries and employee benefits | 64,991 | 16,213 | 14,581 |
| Amortization | 27,878 | 5,573 | 5,523 |
| Payments in lieu of municipal taxes | 12,276 | 3,335 | 2,634 |
| Loss on disposal of tangible capital assets | - | - | 65 |
| | 175,338 | 38,306 | 36,847 |

For the period ended June 30, 2024, the value of antiques, works of art and monuments, acquired or built by the NCC totalled \$0.6 million (\$0.2 million as at June 30, 2023). These are recorded as expenses in “Goods and services”.

8. Parliamentary Appropriations

| | June 30, 2024 | June 30, 2023 |
|---|---------------|---------------|
| Parliamentary appropriations for operating expenditures¹ | | |
| Amount received during the period | 18,695 | 18,984 |
| Amount received for previous year | (1,331) | (1,553) |
| Amount deferred from previous year | 28 | 148 |
| | 17,392 | 17,579 |
| Parliamentary appropriations for tangible capital assets² | | |
| Amount received during the period | 4,399 | 6,260 |
| Amount deferred from previous year | 1,884 | 1,236 |
| | 6,283 | 7,496 |
| Parliamentary appropriations approved and recorded during the period | 23,675 | 25,075 |

1. As at June 30, 2024 and 2023, the amounts approved for the years ending March 31, 2025 and 2024 totaled \$69.5 million and \$69.7 million, respectively.

2. As at June 30, 2024 and 2023, the amounts approved for the years ending March 31, 2025 and 2024 totaled \$25.3 million and \$25.0 million, respectively.